



CIO FORUM: SOURCING. AUGUST 27TH 2015

OUTSTAFFING. IS IT FOR YOU?

MARIUS HAUGEN, HEAD OF DEVELOPMENT, GET AS



AGENDA

WHAT IS IT?

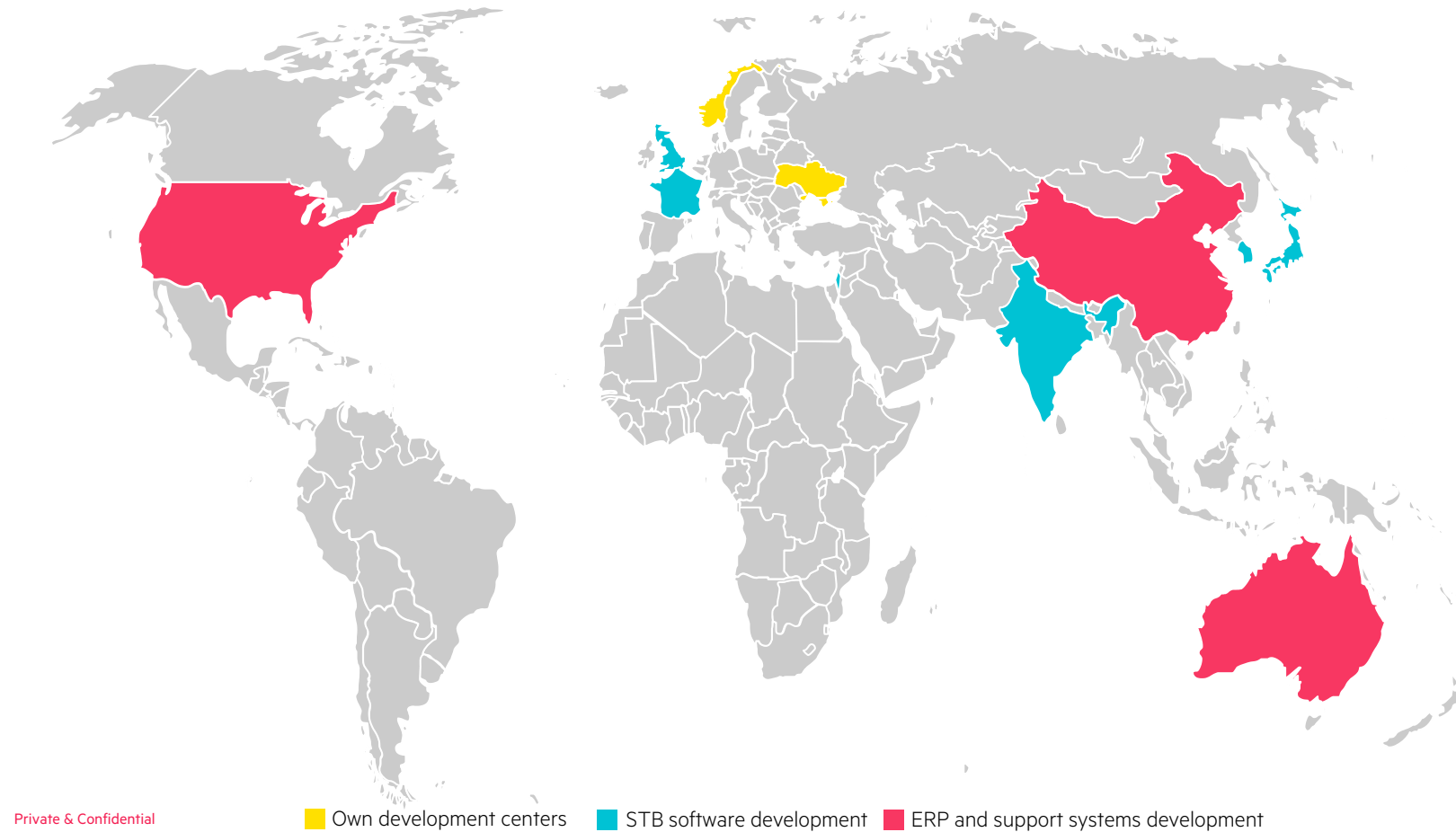
DOES IT WORK?

WHAT DOESN'T WORK?

HOW TO MAKE IT WORK?



SOFTWARE DEVELOPMENT SOURCING





"Outstaffing" is when one company "Outstaffers Inc." provides service to a customer "XYZ Ltd." by providing a full time worker at a location controlled by the service provider. Basically the employee of "Outstaffers Inc." becomes a full employee of "XYZ Ltd.". Except he get's a salary and basic location services from "Outstaffers Inc.".



WE STARTED IN KIEV JANUARY 2014



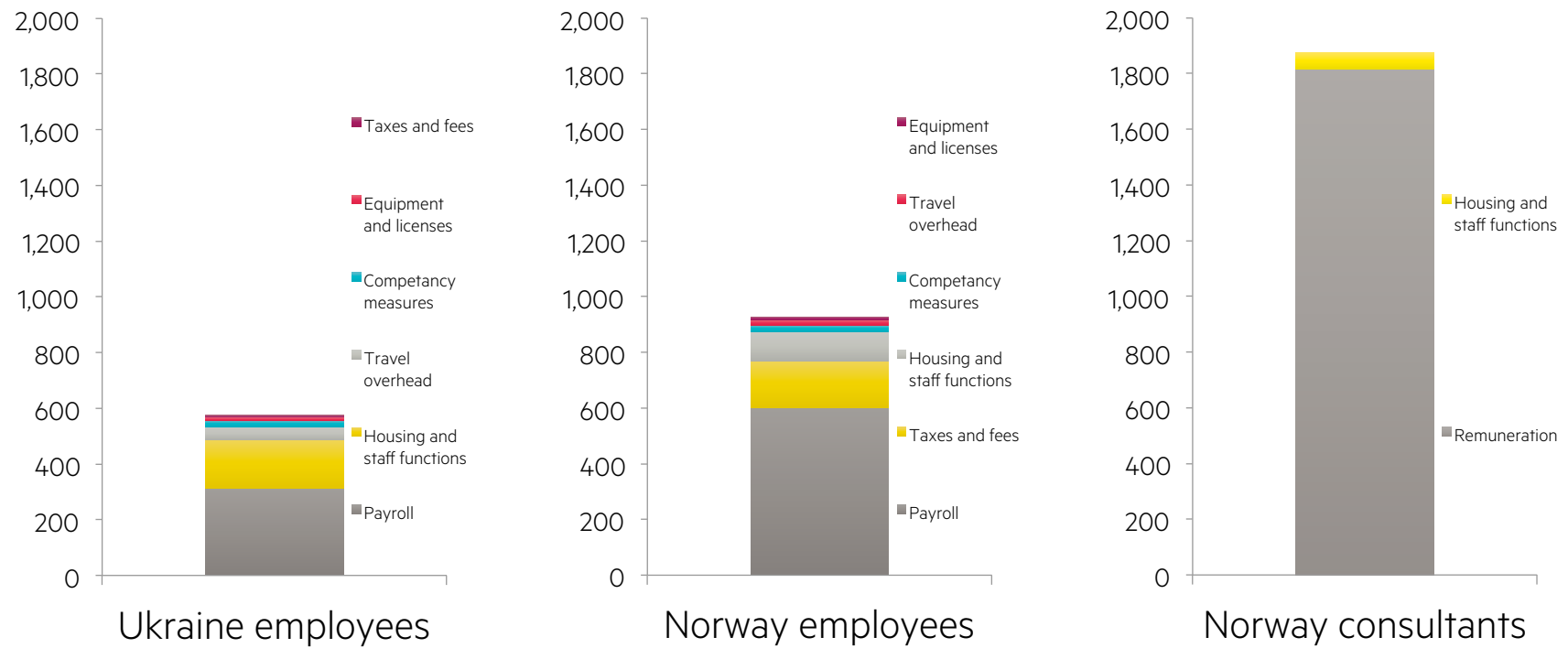


SO WHAT HAS 18 MONTHS OF OUTSTAFFING TAUGHT US?
DOES IT MAKE SENSE? FINANCIALLY



DEVELOPMENT COST DRIVERS

PER DEVELOPER / YEAR IN NOK THOUSANDS





NORWAY VS UKRAINE EMPLOYEE COSTS

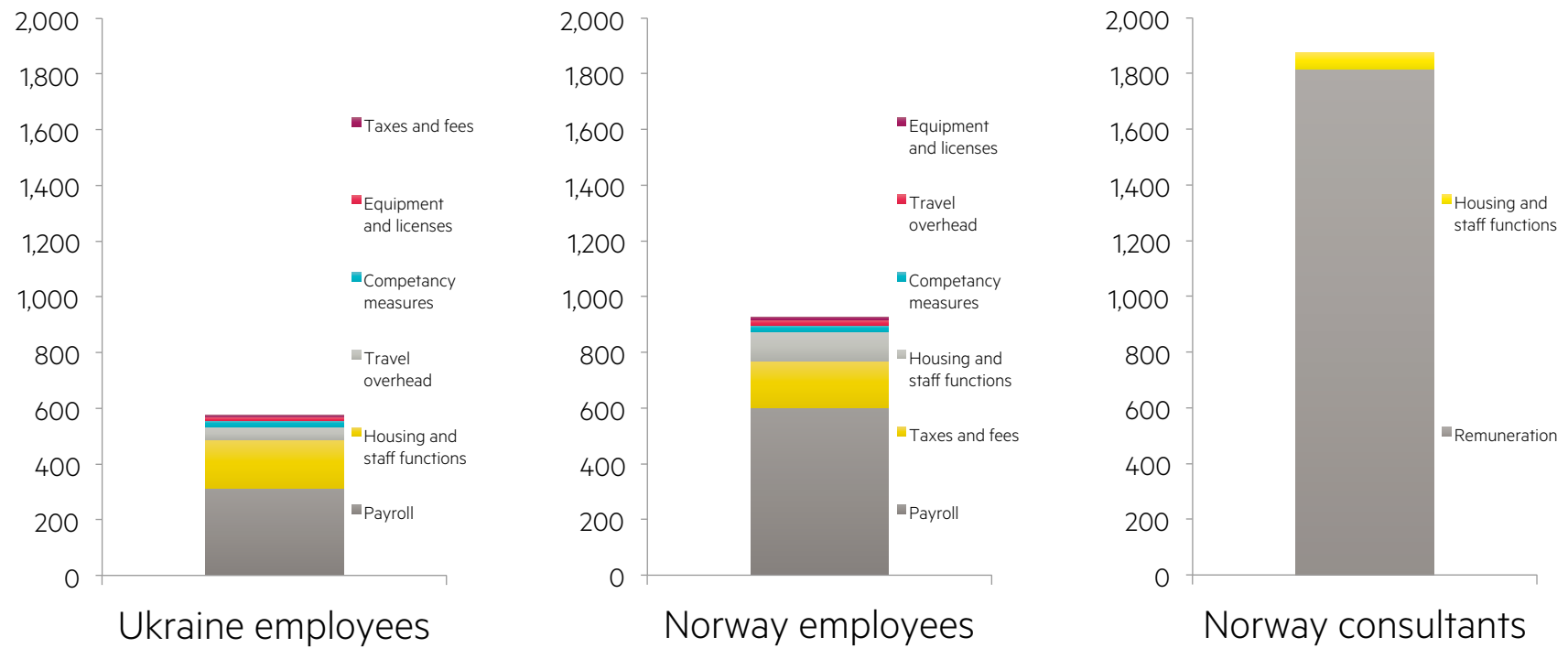
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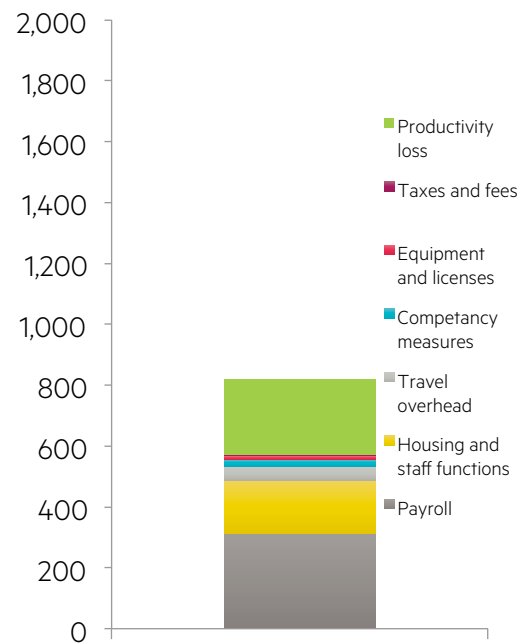
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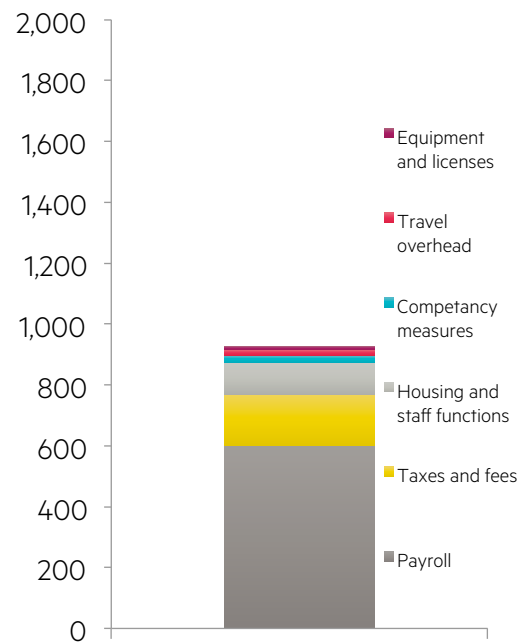
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Ukraine employees

Productivity factor: 70%

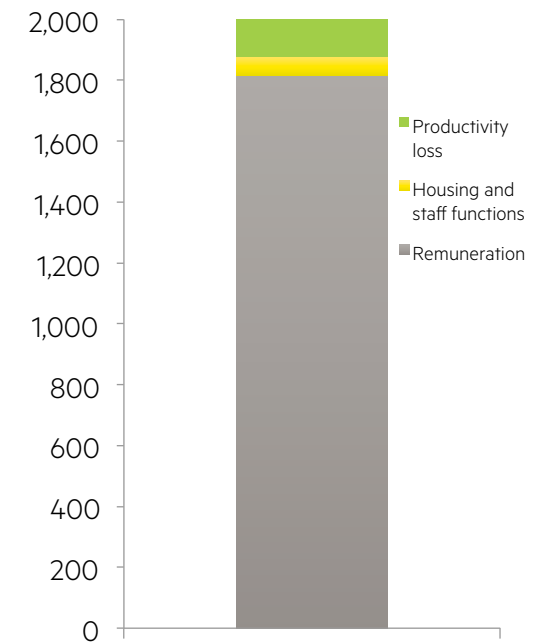
Weighted total cost: NOK 820.578



Norway employees

Productivity factor: 100%

Weighted total cost: NOK 927.916



Norway consultants

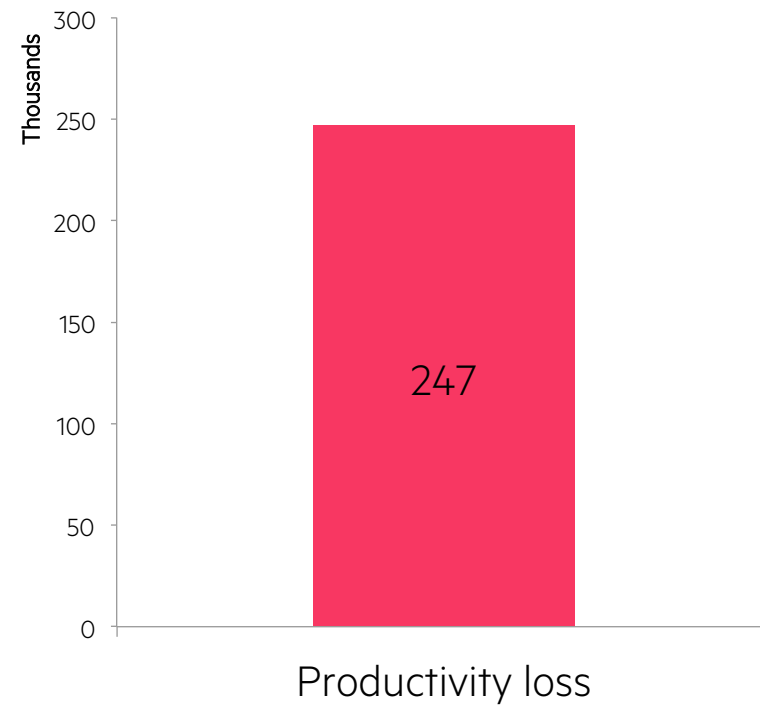
Productivity factor: 90%

Weighted total cost: NOK 2.083.333



ADDRESSING THE ELEPHANT...

- A quarter of a million (NOK) lost every year per developer in productivity differences is... A lot.
- But what is it?
 - Poor education?
 - Bad quality?
 - Rework?
 - Communication failures?
 - Superb local developers?
 - Added need for management?
 - All of the above?





SOURCES OF PRODUCTIVITY LOSS

CULTURE AND COMMUNICATIVE DIFFERENCES

- English skills of variable quality, at home and at foreign location
- Increased formality, in behaviors and communication
- Stricter division between work and private life
- Historically limited incentive to innovate and explore technologies beyond utility

ACCESS TO INFORMAL COMMUNICATION NETWORKS

- Modern flat organizations work increasingly through informal networks. Decisions are made fast, often with few people debating an issue before reaching a limited consensus.
- Lack of small talk and office gossip

DISTANCE EFFECTS

- Slower learning cycle (longer productivity ramp-up) due to limited access to local experienced personnel with extensive domain knowledge.
- Distance, cost and language barriers to innovation centers, thought leaders and relevant conferences and seminars.
- Aged non-English curriculum in universities, often focused on partly redundant practical skills

MENTALITY

- Narrow view of own role, ones authority and ability to make ones opinion known and heard.
- Unaligned expectations to management traditions, hierarchical structures, agile processes and autonomous teams.



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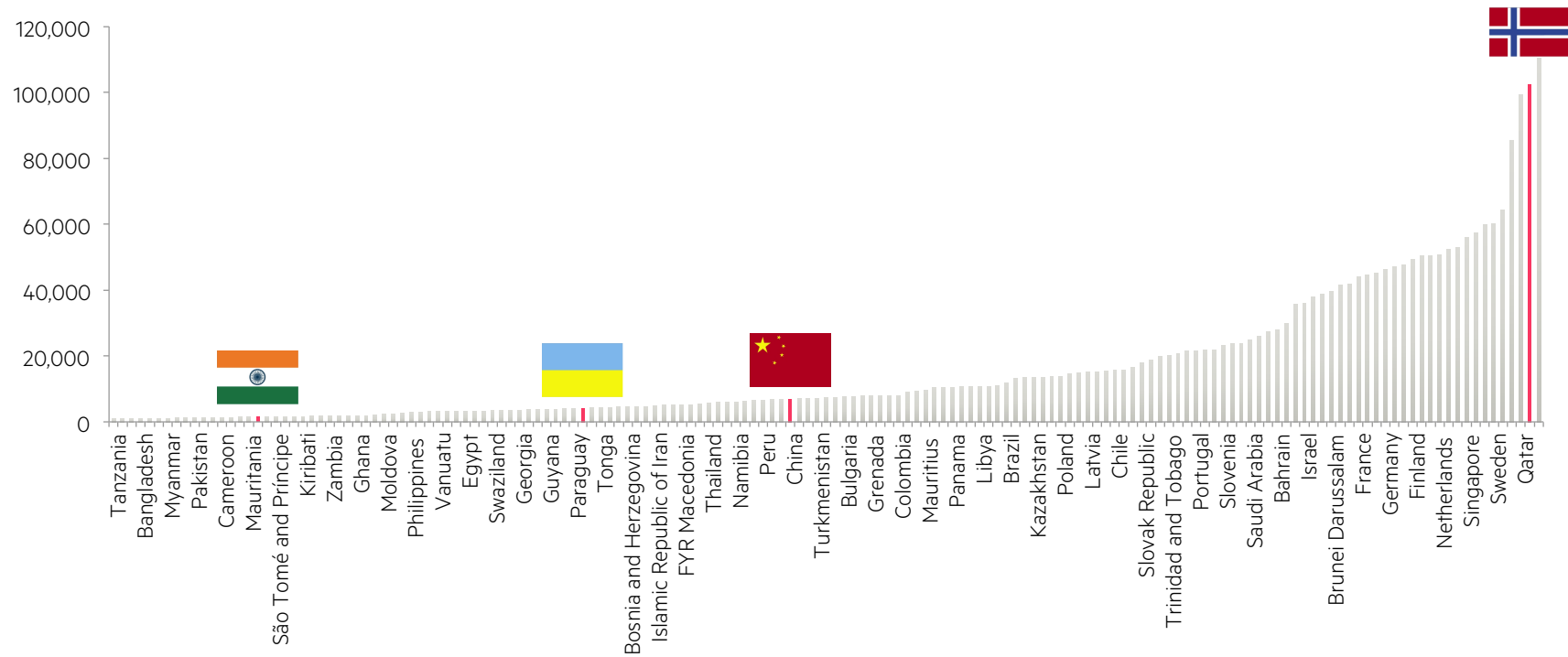
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SADLY...
MENTALITY IS A THOUGH SCREW

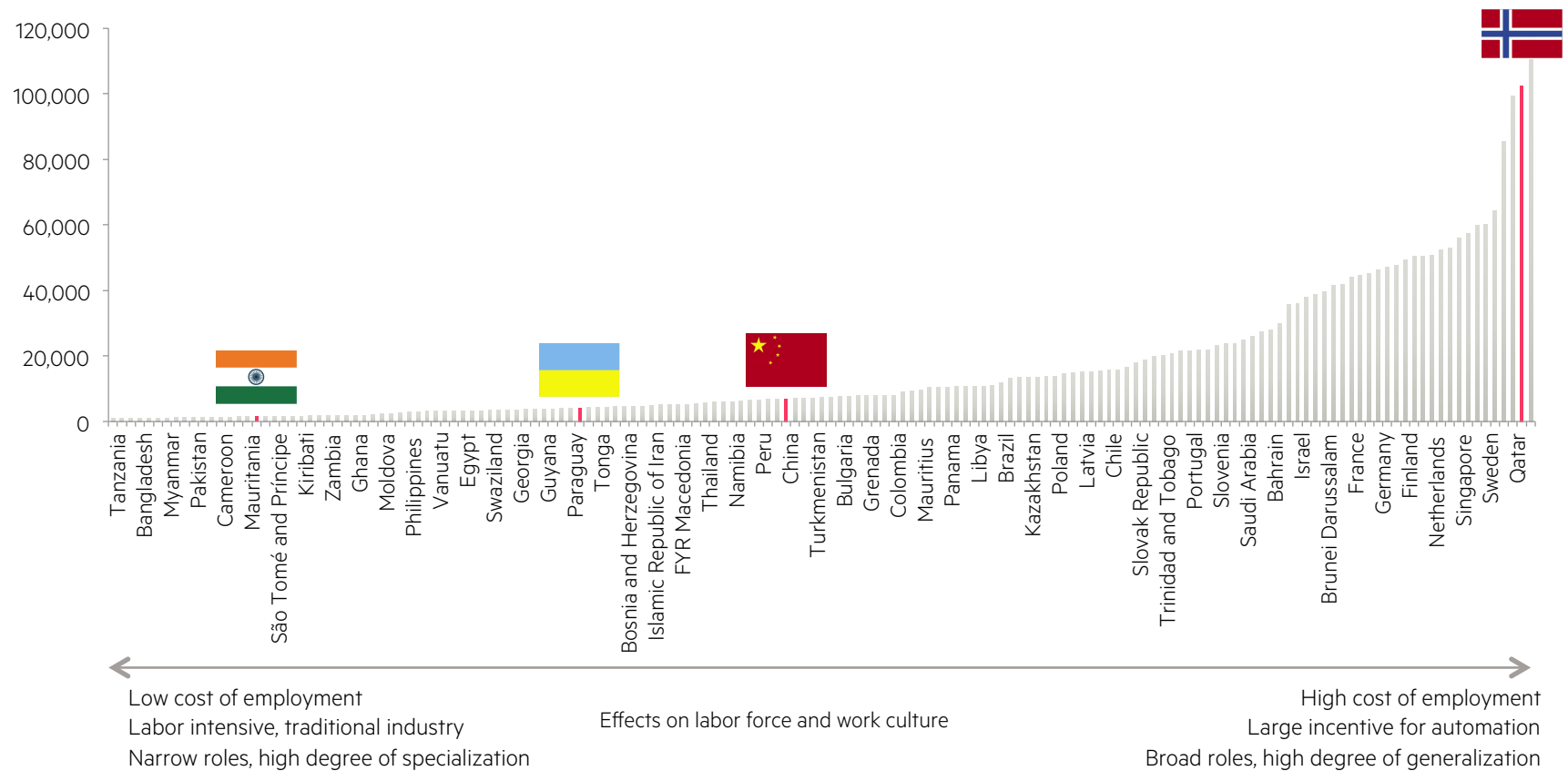
WELL MAYBE YOU'RE THE WEIRD ONE?

GDP PER CAPITA, CURRENT PRICES (\$USD, IMF 2013)

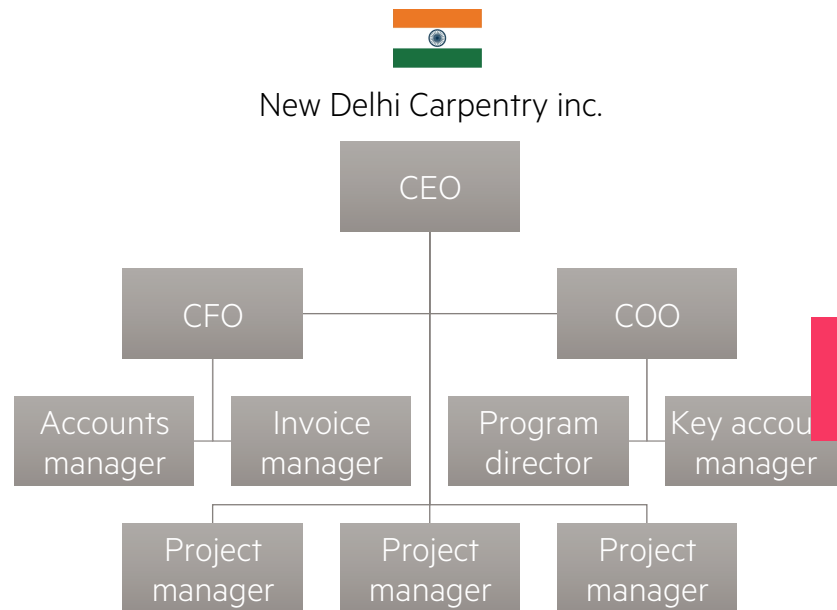


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GDP PER CAPITA, CURRENT PRICES (\$USD, IMF 2013)



EFFECT OF LOW POPULATION AND HIGH LABOR COST



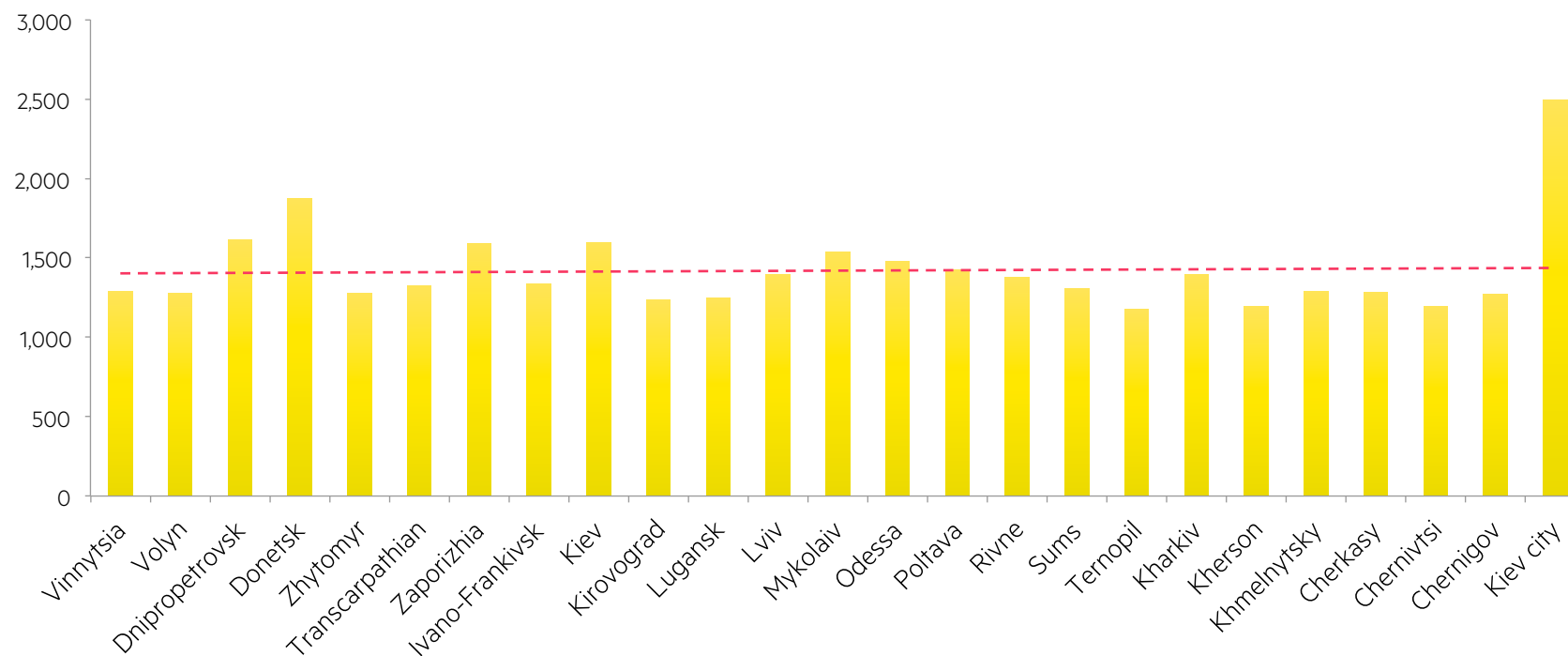
VS





LETS HAVE A LOOK AT THAT OTHER SIDE SHALL WE?

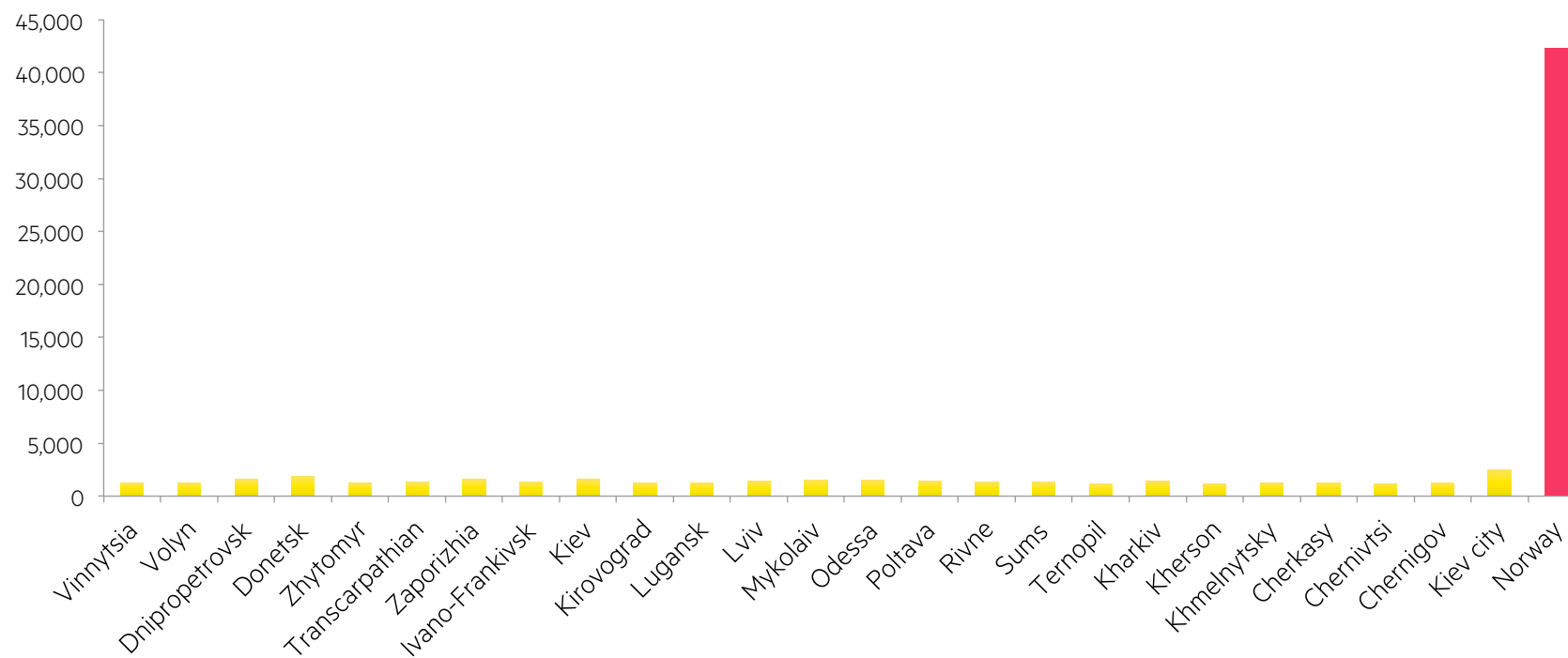
AVERAGE MONTHLY SALARY. REGIONS OF UKRAINE (NOK, UKRAINE NATIONAL BANK, JUNE 2015)





FOR COMPARISON...

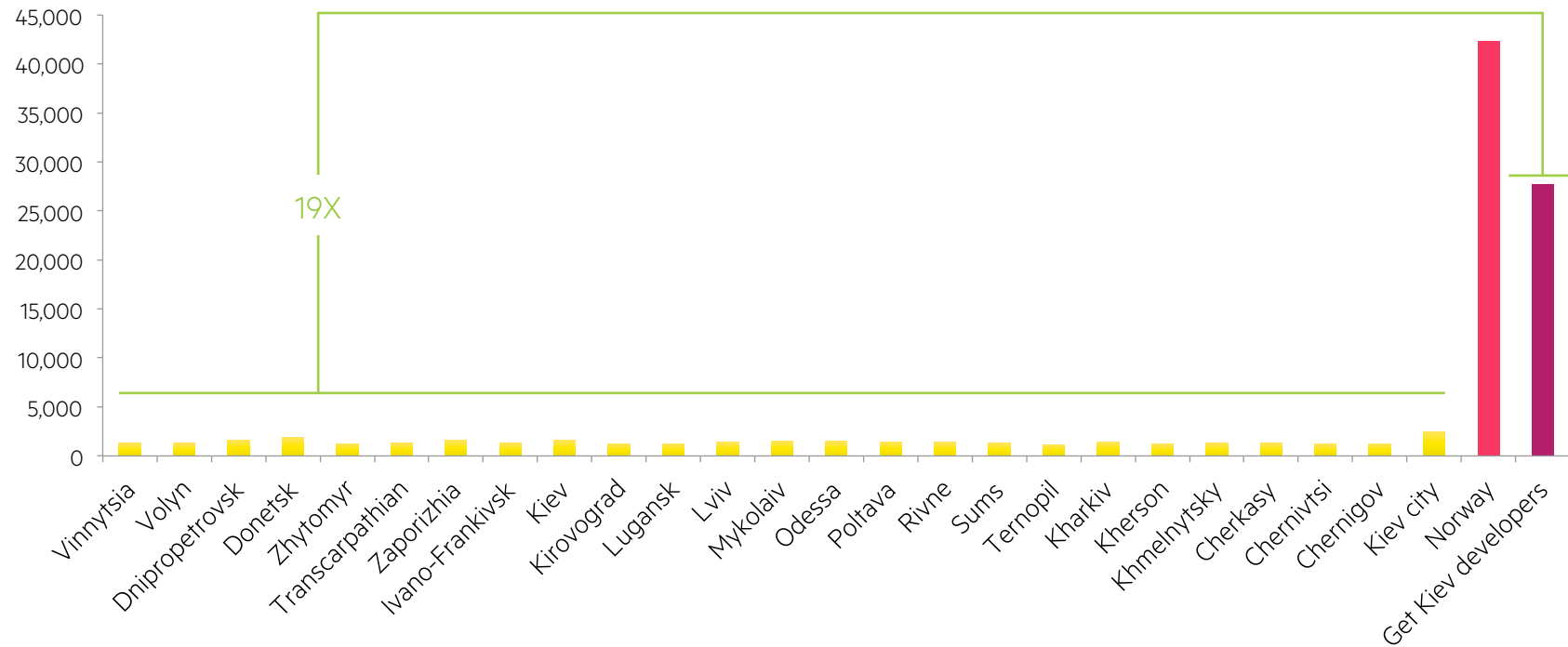
AVERAGE MONTHLY SALARY. NORWAY (NOK, SSB, Q3 2014)





YOU MIGHT WANT TO LOOK INTO A GLOBAL CAREER, SON

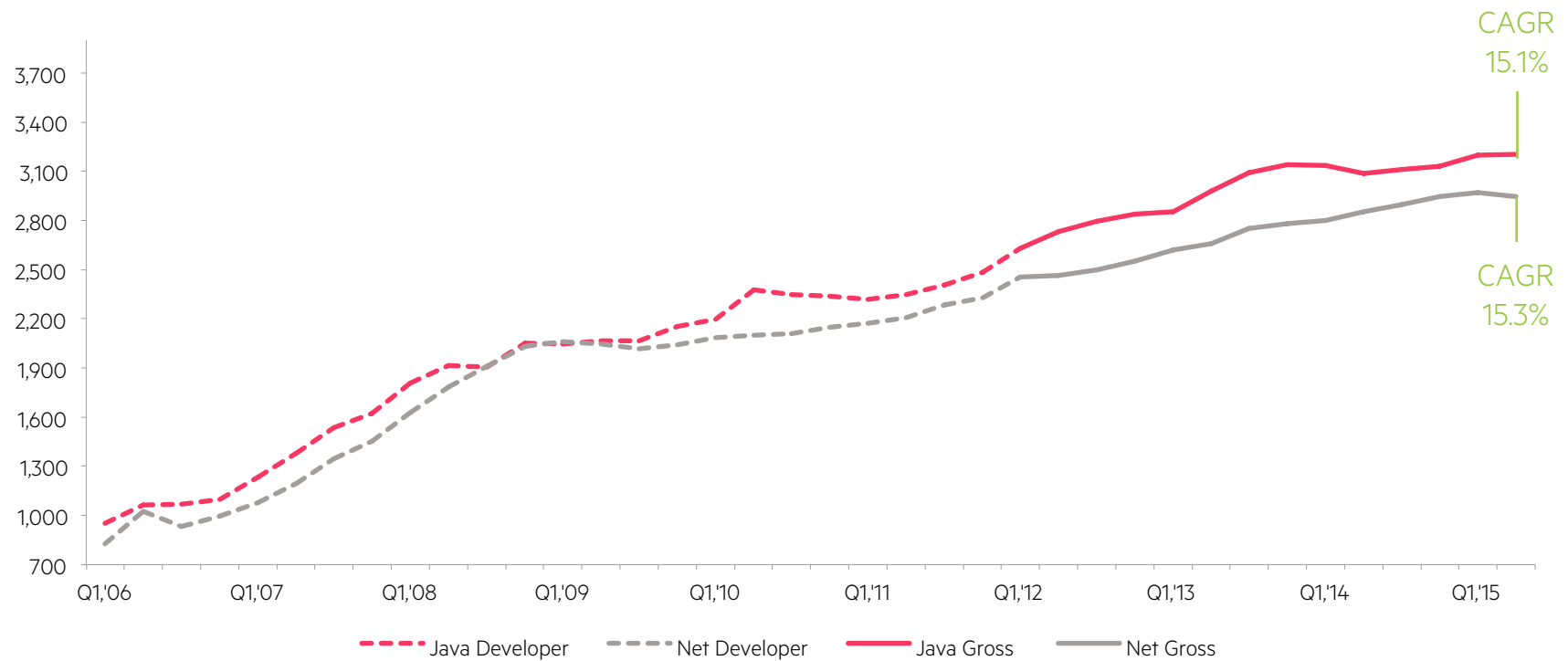
AVERAGE MONTHLY SALARY. GET DEVELOPERS (NOK, GET, Q3 2014)





FROM USD \$950 TO USD \$3.200 IN NINE YEARS!

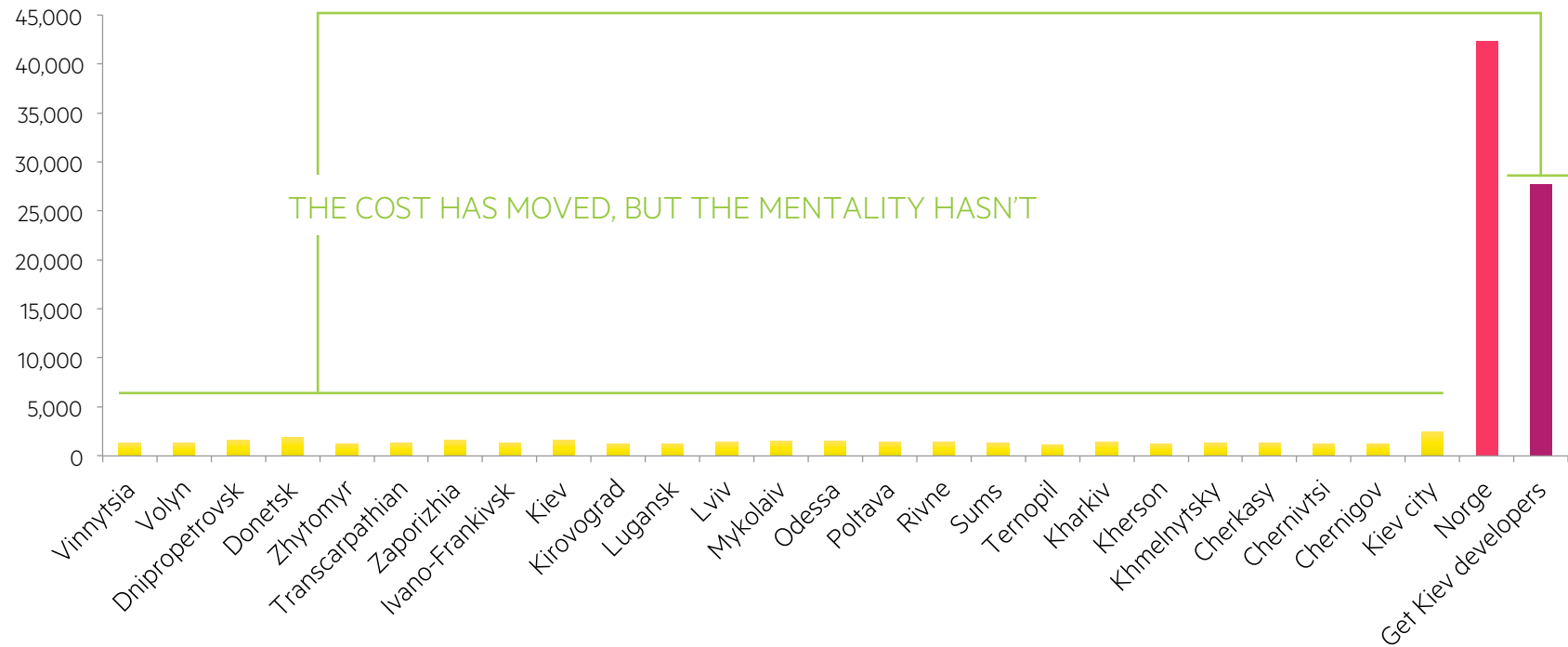
AVERAGE MONTHLY SALARY. UKRAINIAN DEVELOPERS (USD, CIKLUM, JUNE 2015)





WHY AM I TELLING YOU THIS?

THE PROBLEM IS THAT....





THE UKRAINIAN STANDOFF

IT'S ALL ABOUT EXPECTATIONS



I want you to work like a high value-added employee in my flat world of abstract generalists, delivering value far beyond your code.



You guys have clearly been living on a cloud for too long...



I should be handed precisely specified tasks and routines from my manager so I can excel in the details of my professional niche.



Who is this manager you talk about?



BUT THAT'S NOT MY JOB!

(MEANING: IT'S LIKELY YOURS)



Developer jobs:

Front-end programming	Architectural planning
Back-end programming	Agile project management
Test automation	User experience and design
Infrastructure and devops	Business analysis
Solution monitoring	Planning and estimation
Documentation	Systems support
Third-party integration



Developer jobs:

JavaScript



THE SECRET EXPLICIT > IMPLIED

You are expected to work **in an environment with abstract requirements**

You are expected to show **genuine interest in the company's best, beyond what your manager demands from you**

You are expected to **make your own, often significant, decisions**

You are expected to **communicate directly with managers and employees in divisions other than your own**

You manager is likely **not your technological superior**



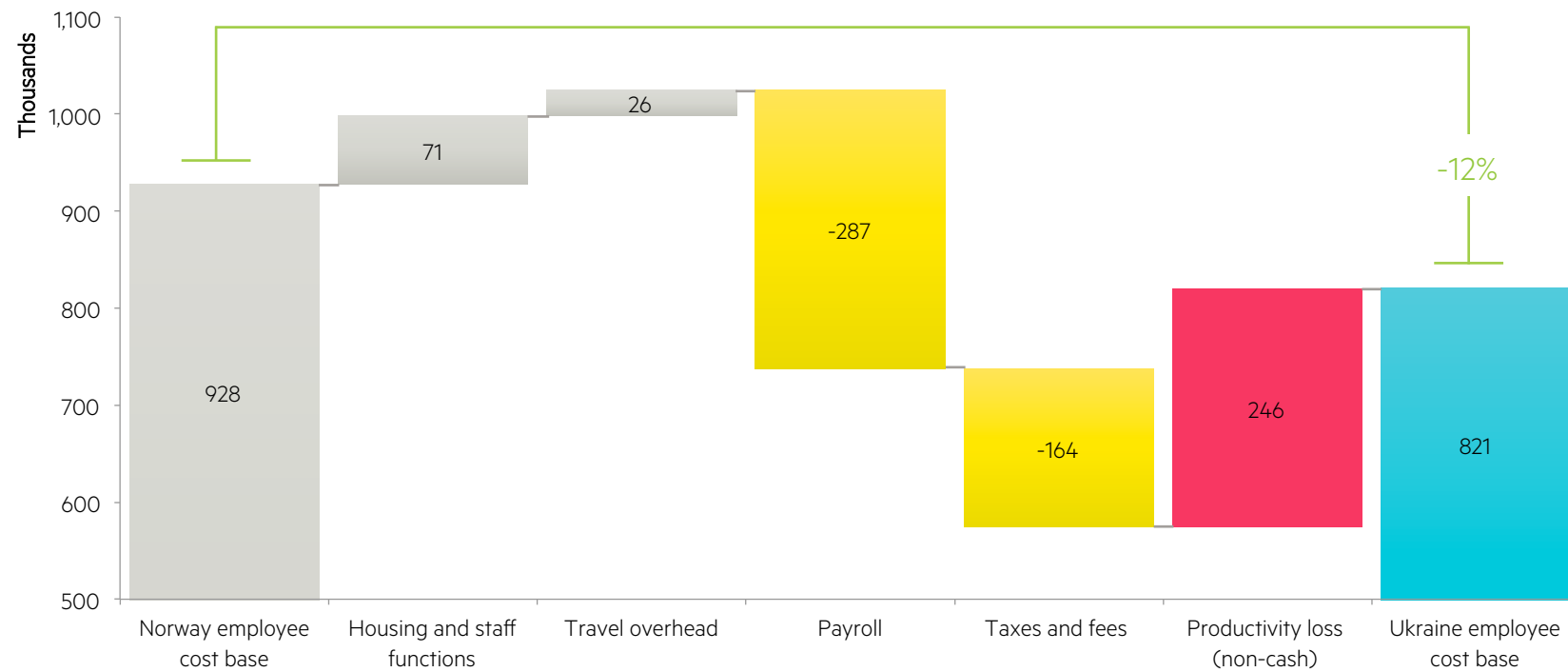
PROCESS OF MENTALITY ALIGNMENT





NORWAY VS UKRAINE EMPLOYEE COSTS

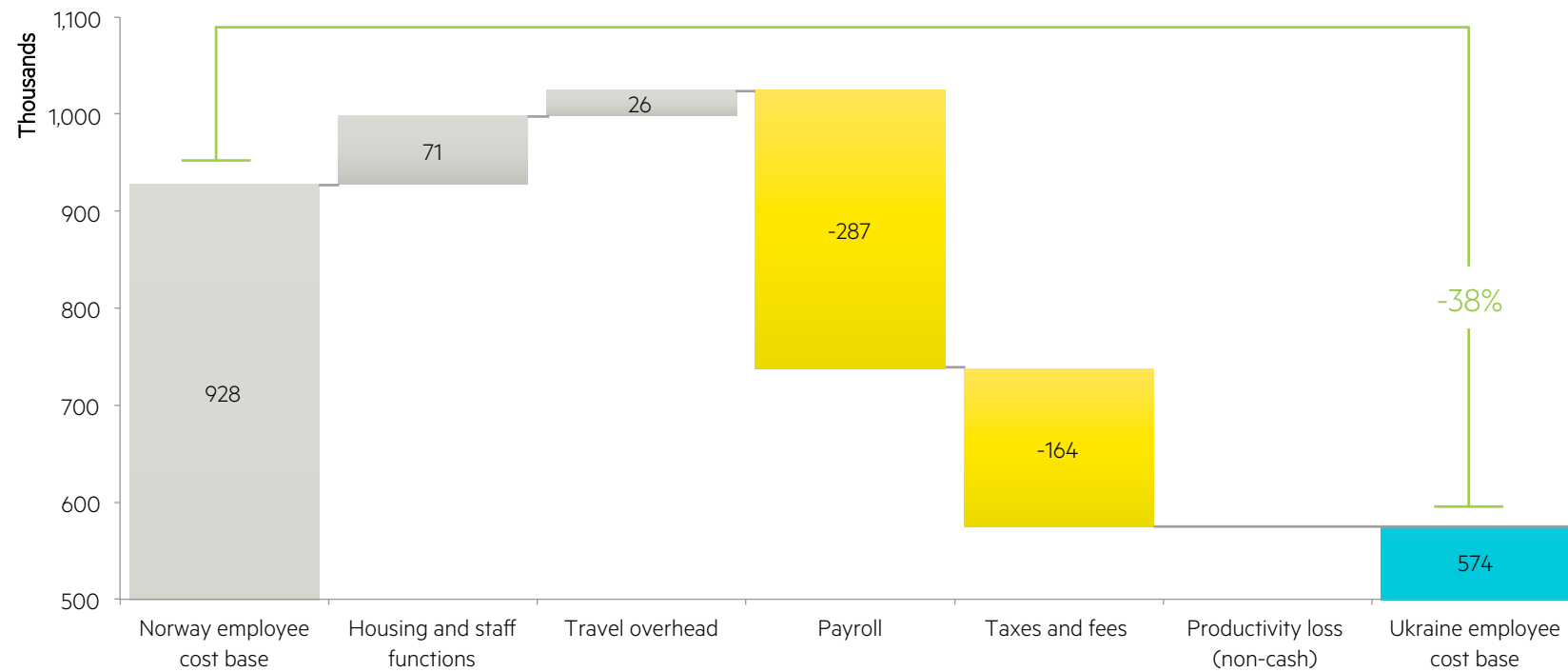
PER DEVELOPER / YEAR IN NOK THOUSANDS





NORWAY VS UKRAINE EMPLOYEE COSTS

PER DEVELOPER / YEAR IN NOK THOUSANDS





THANKS FOR BEING HERE!

marius.haugen@get.no

Outstaffing is one tool in a large toolbox of good development organizations. It should be applied with care, in the proper contexts for appropriate goals. Nonetheless, there is a happy ending. Outstaffing will expose your weak spots and make your development organization better (and possibly you too).

Key points:

- Have realistic goals
- Know what you are looking for
- Distance won't fix your process problems, it will amplify them.
- Overhead and productivity losses are real
- Be explicit